Financial Socialization for Immigrant Americans:

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A sample of the opening pages

Financial Socialization for Immigrant Americans: Welcome to America (Your Personal Finance Companion)

Chapter 2.

The Role of Personal Finance

in Wealth Management

Chapter Objectives: By the end of this chapter readers should be able to:

- Explain why knowledge in personal finance is important
- Explain how financial illiteracy can affect one's ability to make financial decisions
- Distinguish between checking and savings accounts
- List financial resources one needs to know and manage

Why Knowledge in Personal Finance Matters:

Being financially literate can potentially protect you and your hard-earned financial resources. However, the reverse can be catastrophic. Research indicates that financial literacy can improve one's economic wellbeing. Recent research also indicates that minorities including African-Americans and Latinos have relatively low levels of financial education, and this has a negative long term economic effect on their lives (refer to my dissertation for full report). Many people coming to the U.S. from different economic systems experience this problem. Understanding and adjusting to the U.S financial system is of paramount importance, and is the utmost goal of this author. Always working earning money without knowledge of personal finance is more like pouring water into a leaky barrel that never gets full. Additionally, getting rich is not achieved only through working too many jobs and receiving piles of pay checks every week end, but also through effectively managing your financial resources. While you work hard for your money make room for your money to work for you as well.

Financial Literacy and Financial Behavior Interface

Financial knowledge and financial behavior seem to be at opposite ends of the financial literacy continuum. This makes researchers and academicians wonder if financial behavior is a function of financial literacy. The distance between the two traits makes the individual tend to exhibit behaviors that are at inconsistent with a financially educated person. Research findings indicate that victims of financial illiteracy tend to exhibit negative attitudes toward such behavioral traits as savings, investing, and money management, which negatively impact their wealth accumulation ability.

Figure I: Financial Education and Behavior Interface

Figure II: Financial Education and Behavior Interface

Figures I and II illustrate how financial education positively impacts individuals. In figure I, there is an absence of financial literacy, which renders the individual to less functional in the financial world. Thus, prior to receiving financial education there is an absence or disconnect between the individual's awareness, knowledge, and skills and development of positive attitudes toward money matters. According to Center for Economic Eduction (CEE), (2012), "Financial education is a key predictor of financial knowledge--and financial knowledge is a key predictor of financial behavior" (p.5).

As shown in figure II, as an individual acquires knowledge and skills from financial education, he/she begins to develop positive behavior and attitudes toward such things as savings, expenditure, risk management, and debt reduction, and can independently make financial decisions. In general, as the gap between knowledge and behavior development narrows an individuals' ability to make independent financial decisions and participate in the stock market tends to increase.

What You Need to Know and Own

Some of the financial resources that we need to understand and effectively manage include;

-> Checking accounts

-> Savings accounts

-> Certificate of cash deposits (CDs)

-> Insurance contributions

-> Retirement contributions (Pension or 401K)

-> Employee stock ownership

-> Stocks/Bonds

Checking Accounts

A checking account is a demand deposit account from which an authorized individual that can withdraw using either a check (cheque as spelt by the British) or a debit card. It's called a demand deposit because money can be withdrawn when and as needed. The advantage of this type of account is that the owner of the account can withdraw money several times a day, week or month. The maximum amount of money one can withdraw in a single day however varies from bank to bank. The disadvantage of this type of account is that it does not pay interest, but rather the bank charges fees for maintaining the account.

Other types of checking account include the following:

i Joint Accounts (for two persons, especially husbands & wives)

ii Special Accounts

iii Standard Accounts

iv Interest-Bearing Checking Accounts

Terms Associated With Checking Account:

i) A check/cheque is a written order drawn by the owner (drawer) authorizing the bank to pay a specified amount of money to another person or entity called the payee or drawee. A certified check is one that the banks certifies or guarantees that it's safe.

ii) A cashier's check or bank-draft is a check drawn by the bank on its own account or funds. This type of check is to guarantee payment from the drawer.

iii) A debit card is an electronic card used to withdraw money from the automated-teller machine (ATM). The advantage of this tool is that it makes the owner of the checking account less worried about whether or not the bank is opened. Additionally, a debit card allows one to withdraw money anytime, anywhere regardless of the location of the bank. Some ATM cards especially VISA card can be used to withdraw money outside the United States provided there is an ATM.

Another card is called credit card. A credit card has distinguishing features, and terms and conditions from a debit card.

iv) An Overdraft is when one withdraws money more than the account's balance. An overdraft could be deliberate or failure to check account balance prior to making withdrawals. An overdraft comes with a penalty. Most banks would charge not less than $35 per day until the account is replenished.

v) A floating check is a check that is pending or floating because insufficient money and will be cashed as soon as there's money available.

vi) Cancelled Check is a check that has been cleared. That's money has been transferred to the payee and may be used as prove of payment with the bank stamp on it.

vii) Money Order is an instrument used by people who do not want to make payments in cash or do not have checking account or both

Savings Accounts:

A savings account as the name suggests, is an account that allows the owner to put money into the account which is not intended to be withdrawn anytime soon. The advantage of savings account is that it attracts annual interest rate payable quarterly or annually. Though the disadvantage of this type of account is that one cannot make frequent withdrawal of money, one can make withdraws once every fortnight.

By opening checking and/or savings accounts allows one to enjoy other banking services such as qualifying for a line of credit, loans, and even enable direct payments to be made by your employer. Most people in the U.S do not have checking and savings accounts and prefer to take pay-checks from their employers. This can be risky and dangerous.

The rest of the financial instruments will be discussed later in chapter 7.

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Chapter 3

Jobs and Job Management

Chapter objectives: by the end of this chapter readers should be able to:

- Explain the difference between the U.S economy and that of developing economies
- Know the types of jobs available and their requirement
- Know how to search jobs
- Effectively manage jobs
- Explain employment at will clause

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Introduction

A survey of the U.S Economy would reveal that America, unlike most developing nations, is an advocate of the capitalist economy that exercises minimal control over private resources. Demand and supply are the major market forces that determine resource allocation. In the U.S, the private sector employs relatively more than the public sector does. The government's role in this direction is to ensure the system works well towards the common interest of the average citizen.

A flip on the African and other developing economies carries a different story. In most developed and developing countries, it's the government that holds disproportionately a greater percent of the nation's jobs. Every community, household, or individual looks up to the government to conjure jobs for every single person in the country. Here we are in a country where the majority of jobs are owned and managed by private institutions and individuals. Securing a job depends on the kind of job where the individual's qualification, experience and skills fit.

Getting a Job and Making the Money

While some jobs may look for people to hire, it is the individual who most of the times looks for a job. Looking for a job implies you are ready to trade your skills, experience, and energy for money. Due to market competition employers would always want to hire you fully cooked, not even half-baked. What does this expression tell you? New employee training in modern times is almost scrapped off from most employers' expense budgets. Landing a perfect job may likely depend on a combination of one's luck, experience, and skills fit. Let's take a look at the kind of jobs we may be looking for.

Types of Jobs

Skilled Versus Unskilled Jobs:

Skilled jobs are jobs that require specific training and skill set to be able to function in the job. These types of jobs are described as professions that include but are not limited to professionals such as nurses, teachers, cosmetologists, doctors, lawyers, and accountants. Unskilled jobs are jobs that may require hands-on the job training to be able to execute a particular task. Such skills are often needed at the warehouses for picking, packing, and assembling purposes. An individual's job choice would depend on the type of jobs above.

Job Sectors that require skilled or unskilled labors or both include:

- Warehouse jobs
- Health sector jobs
- Clerical Jobs
- Retail store jobs
- Home health aides jobs
- Banking
- Insurance

Job Search Efforts:

There are fewer jobs available than needed. To get a job means one has to job search. What a jobseeker needs to know is that not all jobs are visibly out there. While some companies advertize their job availability on the public media such TV, magazines, newspapers, and internet, other company jobs are in the hidden job market. From the jobseeker's stand point, landing on your desired job may partly depend on who you know. And whether or not a job is in the open or hidden market a jobseeker needs to do the following:

i) Create and maintain a social network (make as many friends as possible. you never know the one who would lead you to a new job). Expand your network activities and increase your employment opportunities by doing the following:

- mixing well with others

- always working hard

- making more friends while at work

- always showing positive attitude before your colleagues

- being a team player and not a back bencher

ii) Make your hard-skills (talent, job skills, etc) as well as your soft-skills (traits, habits, attitudes, etc) shine. These may lead you to an even more rewarding job when you let these skills stand out.

iii) Use the search engines such as Google, internet explorer, and Mozilla Firefox to search for jobs. The common online jobs sites include Indeed.com, monster.com, CareerBuilder's, etc.

iv) Employment Facilitators: Employment agencies such as Dawson, the Select Group, iforce, employment solution, etc play a major role in connecting jobseekers with employers. Employment or job fairs; also facilitate job search by show-chasing their organizations and job opportunities

v) Document your skills and experiences in the form of a resume. You may revise your resume to meet the requirements of a prospective employer. A resume is a document that sells you out and makes employers want to benefit from your skills and experience. Have an expert prepares you one if you cannot prepare your own resume. Educated or not, at least you have the skills and experience, right?

Factors to Consider in a Job Offer

The main motivation for seeking a job is the monetary reward. You were looking for a job, now you have the job. What's next? Whether or not you would stay in a particular job would largely be determined by the following factors:

i) Salary: How much the company pays bi-weekly, monthly or annually in return for your labor. Does the company pay you enough to compensate for your skills and experience level? The answer to this question is dependent on the individuals income needs and situation.

ii) Benefits: Does the company offer other fringe benefits besides salary? Some companies offer such benefits as 401K, sick pay, health insurance, profit-sharing, vacation, etc to their employees. These benefits not only motivate the employee but also provide them financial security.

iii) Career Advancement: does the company provide opportunity for promotion through offering more job responsibilities, training, and delegation to allow you advance in your career?

iv) Working Conditions/Environment: Does the company require a 40-hours of work per week or more, allows some days off, sick leave, and vacation with pay? Is the work environment exposed to extreme weather conditions; cold or heat, and is the company more concerned and provide enough safety precautions? Companies that provide these facilities tend to increase their employee morale, faces less employee turnover rate and increase productivity.

The Hire and Fire Culture of the U.S Jobs

Back in our developing economies, employers hardly hire and fire except for extreme or extenuating circumstances. Thus, it's hard to secure a job but once a job is secured the tendency of getting fired is minimal. But the employment environment of the United States is relatively different. Employers here follow what's called "employment at will" law. The employment at will made provisions for both the employer and the employee. The law permits employers to hire whenever they need you and terminate your employment whenever they no longer need your services. The law also gives the employee the right to quit his/her job at will at any time.

Though the law allows an employee to quit anytime, one needs to be careful how one quits jobs. As a rule of thumb, for any preplanned quit, make sure you give your employer two or more weeks notice. I call this a friendly versus a hostile quit. The advantage of a friendly quit is that you can always return to your old job if they still need your service. This culture is almost virtually absent in our home countries.

The Odds of Moving from Job to job

Though the employment at will provision allows the employee to quit his or her job at will, care must be taken when a quitting job. Some employees quit their jobs out of good and concrete reasons while others quit out of least provocation, trivial reasons. The advantage of moving from one job to the other is that it may land you with a better paying wages and other fringe benefits, etc. On the contrary, moving from job to job makes one vulnerable to re-deployment decisions during any economic downturn. What that means is as a culture or policy of most employers, employees employed during the later part of the employment circle are often the ones to redeployed first (LIFO = Last-in, First-out) before the others. This may send you back in the street again looking for a job. Think twice before you quit or lose your good job, nowhere is cool).